

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: _____

Chapter 11 Case No.

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors.

MONTHLY OPERATING REPORT

FEBRUARY 2012

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

SCHEDULE OF HEDGING TRANSACTIONS

DEBTORS' ADDRESS: LEHMAN BROTHERS HOLDINGS INC.
c/o WILLIAM J. FOX
1271 AVENUE OF THE AMERICAS
40th FLOOR
NEW YORK, NY 10020

DEBTORS' ATTORNEYS: WEIL, GOTSHAL & MANGES LLP
c/o HARVEY R. MILLER
767 FIFTH AVENUE
NEW YORK, NY 10153

REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC.

THIS OPERATING STATEMENT MUST BE SIGNED BY A REPRESENTATIVE OF THE DEBTOR

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under penalty of perjury, that the information contained therein is complete, accurate and truthful to the best of its knowledge.

Lehman Brothers Holdings Inc.

By: Lehman Brothers Holdings Inc., as Plan Administrator

Date: March 28, 2012

By: _____ */s/ William J. Fox*

Name: William J. Fox

Title: Executive Vice President

Indicate if this is an amended statement by checking here: AMENDED STATEMENT ☐

Pg 2 of 14
TABLE OF CONTENTS

Schedule of Debtors	3
Lehman Brothers Holdings Inc. (“LBHI”) and Other Debtors and Other Controlled Subsidiaries	
Basis of Presentation — Schedule of Cash Receipts and Disbursements	4
Schedule of Cash Receipts and Disbursements	6
LBHI	
Basis of Presentation – Schedule of Professional Fee and Expense Disbursements	10
Schedule of Professional Fee and Expense Disbursements	11
LBHI	
Hedging Transactions Update	12
Schedule of Hedging Transactions as of March 6, 2012	14

SCHEDULE OF DEBTORS

The following entities have filed for bankruptcy in the Southern District of New York. On December 6, 2011, the United States Bankruptcy Court for the Southern District of New York confirmed the Debtors' Chapter 11 plan. On March 6, 2012, the "Effective Date" (as defined in the plan) occurred.

	<u>Case No.</u>	<u>Date Filed</u>
<u>Lead Debtor:</u>		
Lehman Brothers Holdings Inc. ("LBHI")	08-13555	9/15/2008
<u>Related Debtors:</u>		
LB 745 LLC.....	08-13600	9/16/2008
PAMI Statler Arms LLC	08-13664	9/23/2008
Lehman Brothers Commodity Services Inc. ("LBCS")	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. ("LBSF")	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. ("LOTC")	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. ("LBDP")	08-13899	10/5/2008
Lehman Commercial Paper Inc. ("LCPI").....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation ("LBCC")	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. ("LBFP")	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
CES Aviation LLC	08-13905	10/5/2008
CES Aviation V LLC	08-13906	10/5/2008
CES Aviation IX LLC	08-13907	10/5/2008
East Dover Limited	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009
BNC Mortgage LLC.....	09-10137	1/9/2009
LB Rose Ranch LLC	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009
LB 2080 Kalakaua Owners LLC.....	09-12516	4/23/2009
Merit LLC	09-17331	12/14/2009
LB Somerset LLC.....	09-17503	12/22/2009
LB Preferred Somerset LLC.....	09-17505	12/22/2009

**LEHMAN BROTHERS HOLDINGS INC. ("LBHI") AND OTHER DEBTORS AND OTHER
CONTROLLED ENTITIES**

**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FEBRUARY 1, 2012 TO FEBRUARY 29, 2012**

The information and data included in this Monthly Operating Report ("MOR") are derived from sources available to Lehman Brothers Holdings Inc. ("LBHI") and its Controlled Entities (collectively, the "Company"). The term "Controlled Entities" refers to those entities that are directly controlled by LBHI, including LB I Group Inc. and excludes, among others, those entities that are under separate administrations in the United States or abroad, including Lehman Brothers Inc., which is the subject of proceedings under the Securities Investor Protection Act, and Aurora Bank FSB, which is indirectly controlled by LBHI. In December 2011, Woodlands Commercial Corporation ("WCC"), (f/k/a Woodlands Commercial Bank), paid third parties to assume its deposits, surrendered its bank charter in the State of Utah and terminated its status as an FDIC insured institution. The cash of WCC is now included as part of the closing cash and investment balances at February 29, 2012. LBHI and certain of its Controlled Entities had filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the "Debtors". The Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. The Debtors have prepared this MOR, as required by the Office of the United States Trustee, based on the information available to the Debtors at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This MOR is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. The Debtors reserve all rights to revise this report.

1. This MOR is not prepared in accordance with U.S. generally accepted accounting principles (GAAP). This MOR should be read in conjunction with the financial statements and accompanying notes in the Company's reports that were filed with the United States Securities and Exchange Commission.
2. This MOR is not audited and will not be subject to audit or review by the Company's external auditors at any time in the future.
3. Beginning and ending balances include cash in demand-deposit accounts (DDA), money-market funds (MMF), treasury bills and other investments.
4. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
5. Beginning and ending cash and investment balances exclude the following:
 - Cash posted as collateral for hedging activity;
 - Cash related to LBHI's wholly-owned indirect subsidiary Aurora Bank FSB;
 - Cash held at real estate owned properties or at third party managers;
 - Cash transferred on or prior to September 15, 2008 by the Company in connection with certain requests by, and documents executed by, the Company and Citigroup Inc. and HSBC Bank PLC currently recorded at \$2 billion and \$83 million, respectively; and
 - Approximately \$500 million which was seized by Bank of America ("BOA") to offset derivative claims against certain Debtors and corresponding guarantee claims against LBHI. On October 19, 2011, the Bankruptcy Court approved a settlement agreement with BOA which provides for, among other things, BOA to release approximately \$356 million of these seized funds to LBHI within 10 days of any initial plan distribution to BOA from any Debtor. BOA may set off the remaining amount of seized funds, approximately \$145 million, against its claims against LBHI.

6. Restricted cash balances are based on preliminary estimates of cash in co-mingled or segregated accounts associated with pledged assets, court ordered segregated accounts, funds administratively held by banks and other identified funds which may not belong to the Debtors or other Controlled Entities.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities
Summary Schedule of Cash Receipts and Disbursements
February 1, 2012 - February 29, 2012

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Other Controlled Entities				Total Debtors and Other Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	LB1 Grp	PAMI	Other (a)	Total	
Beginning Free Cash and Investments (2/1/12)	\$ 5,048	\$ 9,465	\$ 4,379	\$ 3,712	\$ 22,604	\$ 381	\$ 64	\$ 2,082	\$ 2,527	\$ 25,131
Restricted Cash	1,411	729	29	52	2,221	-	-	1	1	2,222
Beginning Total Cash and Investments	6,459	10,194	4,408	3,764	24,825	381	64	2,083	2,528	27,353
Sources of Cash										
Derivatives	1	204	30	8	243	-	-	23	23	265
Loans	112	0	22	-	134	-	-	0	0	134
Private Equity / Principal Investing	515	-	2	-	517	183	-	27	209	727
Real Estate	36	-	27	-	63	-	20	53	73	136
Other	716	1	(9)	0	709	0	-	3	3	712
Total Sources of Cash	1,381	206	72	8	1,666	183	20	105	308	1,974
Uses of Cash										
Non-Operating (Principally Preservation of Assets)										
Derivatives	-	(47)	-	-	(47)	-	-	-	-	(47)
Loans	-	-	-	-	-	-	-	(0)	(0)	(0)
Private Equity / Principal Investing	(0)	-	-	-	(0)	(0)	-	-	(0)	(0)
Real Estate	(6)	-	(32)	-	(38)	-	(1)	(5)	(7)	(44)
Payments to Creditors	-	-	-	-	-	-	-	(112)	(112)	(112)
Other	(15)	(1)	(0)	-	(16)	-	-	(11)	(11)	(27)
Operating Expenses	(51)	(0)	(1)	-	(52)	-	(1)	(21)	(21)	(73)
Total Uses of Cash	(72)	(48)	(33)	-	(153)	(0)	(2)	(148)	(150)	(304)
Net Cash Flow	1,309	157	38	8	1,513	183	18	(44)	158	1,670
Inter-Company Transfers, Net	173	(82)	100	(9)	182	3	(79)	(106)	(182)	0
Loan Agencies, Net	-	-	(3)	-	(3)	-	-	-	-	(3)
Securitizations, Net (to)/From Trustee	-	-	(12)	-	(12)	-	-	-	-	(12)
Woodlands Commercial Corporation	-	-	-	-	-	-	-	506	506	506
FX Fluctuation	1	0	0	-	1	-	-	(3)	(3)	(2)
Ending Total Cash and Investments	7,942	10,270	4,531	3,763	26,506	566	3	2,437	3,006	29,512
Restricted Cash	(1,643)	(731)	(28)	(59)	(2,462)	-	-	(525)	(525)	(2,986)
Ending Free Cash and Investments (2/29/12)	\$ 6,299	\$ 9,538	\$ 4,503	\$ 3,704	\$ 24,044	\$ 566	\$ 3	\$ 1,912	\$ 2,481	\$ 26,525

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities
Schedule of Cash Receipts and Disbursements
February 1, 2012 - February 29, 2012

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Other Controlled Entities				Total Debtors and Other Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	LB1 Grp	PAMI	Other (a)	Total	
Beginning Free Cash and Investments (2/1/12)	\$ 5,048	\$ 9,465	\$ 4,379	\$ 3,712	\$ 22,604	\$ 381	\$ 64	\$ 2,082	\$ 2,527	\$ 25,131
Restricted Cash	1,411	729	29	52	2,221	-	-	1	1	2,222
Beginning Total Cash and Investments	6,459	10,194	4,408	3,764	24,825	381	64	2,083	2,528	27,353
Sources of Cash										
Derivatives										
Collections from Live / Terminated Trades	(b)	-	166	29	5	200	-	-	23	223
Hedging Collateral, Net	(c)	-	(7)	-	3	(4)	-	-	-	(4)
Other	(d)	1	45	0	-	47	-	-	-	47
Loans										
Principal	(e)	110	-	17	-	128	-	-	0	128
Interest		1	0	4	-	6	-	-	-	6
Private Equity / Principal Investing										
Principal	(f)	513	-	2	-	515	180	-	27	721
Interest		2	-	0	-	2	3	-	-	5
Real Estate										
Principal		28	-	20	-	48	-	16	45	109
Interest		8	-	6	-	15	-	4	8	27
Other										
Interest	(g)	0	1	0	0	2	0	-	-	2
Other	(h)	716	-	(9)	-	707	-	-	3	710
Total Sources of Cash	1,381	206	72	8	1,666	183	20	105	308	1,974

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities
Schedule of Cash Receipts and Disbursements
February 1, 2012 - February 29, 2012

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

		Debtors					Other Controlled Entities				Total Debtors and Other Controlled Entities
		LBHI	LBSF	LCPI	Other	Total	LB1 Grp	PAMI	Other	Total	
Uses of Cash											
Non-Operating (Principally Preservation of Assets)											
Derivatives											
Payments on Live Trades		-	(5)	-	-	(5)	-	-	-	-	(5)
Other	(i)	-	(42)	-	-	(42)	-	-	-	-	(42)
Loans											
Preservation of Assets		-	-	-	-	-	-	-	(0)	(0)	(0)
Private Equity / Principal Investing											
Capital Calls		(0)	-	-	-	(0)	(0)	-	-	(0)	(0)
Real Estate											
Preservation of Assets		(6)	-	(32)	-	(38)	-	(1)	(5)	(7)	(44)
Payments to Creditors											
Non-LBHI Controlled Affiliates - Asia		-	-	-	-	-	-	-	(112)	(112)	(112)
Other		(15)	(1)	(0)	-	(16)	-	-	(11)	(11)	(27)
Operating Expenses	(j)										
Compensation and Benefits	(k)	(11)	-	-	-	(11)	-	-	(14)	(14)	(25)
Professional Fees		(35)	(0)	-	-	(35)	-	-	(1)	(1)	(36)
Other	(l)	(5)	-	(1)	-	(6)	-	(1)	(6)	(7)	(13)
Total Uses of Cash		(72)	(48)	(33)	-	(153)	(0)	(2)	(148)	(150)	(304)
Net Cash Flow		1,309	157	38	8	1,513	183	18	(44)	158	1,670
Inter-Company Receipts	(m)	238	10	100	-	347	6	-	34	40	387
Inter-Company Disbursements	(m)	(64)	(92)	-	(9)	(165)	(3)	(79)	(140)	(222)	(387)
Loan Agencies, Net	(n)	-	-	(3)	-	(3)	-	-	-	-	(3)
Securitizations, Net (to) / from Trustee	(o)	-	-	(12)	-	(12)	-	-	-	-	(12)
Woodlands Commercial Corporation	(p)	-	-	-	-	-	-	-	506	506	506
FX Fluctuation	(q)	1	0	0	-	1	-	-	(3)	(3)	(2)
Ending Total Cash and Investments		7,942	10,270	4,531	3,763	26,506	566	3	2,437	3,006	29,512
Restricted Cash	(r)	(1,643)	(731)	(28)	(59)	(2,462)	-	-	(525)	(525)	(2,986)
Ending Free Cash and Investments (2/29/12)		\$ 6,299	\$ 9,538	\$ 4,503	\$ 3,704	\$ 24,044	\$ 566	\$ 3	\$ 1,912	\$ 2,481	\$ 26,525

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities
Schedule of Cash Receipts and Disbursements
February 1, 2012 - February 29, 2012

Unaudited (foreign currencies reflected in USD equivalents)

Notes:

- (a) Other - Other Controlled Entities includes cash balances and activity for LAMCO, which was reported as a separate column in previous MORs.
- (b) Other Debtors reflects \$3 million for LBCC, \$1 million for LBFP and \$1 million for LBCS.
- (c) Reflects net return / (posting) of cash collateral from the hedging of various derivatives related risks. Other Debtors reflects \$3 million for LBFP.
- (d) Primarily reflects \$44 million receipt into LBSF from the sale of collateral that was returned as part of a swap settlement.
- (e) Primarily reflects \$110 million received into LBHI from principal paydowns on financing notes (collateral released to LBHI in connection with the JPM CDA). The beneficiary of these proceeds is LCPI and funds will remain restricted at LBHI until subsequent distribution to LCPI.
- (f) Primarily reflects \$513 million from the sale of investments at LBHI, including \$390 million related to Wilton Re and \$68 million related to payment on the Kingfisher Class A Notes received by LBHI (in connection with the JPM CDA) which is restricted for the benefit of LCPI.
- (g) Reflects interest collected on short term investments of excess cash.
- (h) Primarily reflects \$699 million received from JPM Chase associated with the Bankruptcy Court's approved settlement related to LBHI's objection to JPM Chase's Asset Management claim, and net return / (posting) of collateral for FX hedging related to Real Estate and Corporate Loans.
- (i) Reflects disbursements for the purchase of SPV notes to facilitate the unwinding of derivative contracts.
- (j) A portion of the Operating Expenses paid by LBHI is subject to cost allocation charges to and reimbursement from various Lehman legal entities.
- (k) Compensation and Benefits includes Lehman employees as well as fees paid to Alvarez & Marsal as interim management.
- (l) Primarily reflects expenses related to outsourced services and IT, occupancy, taxes, insurance and other operating disbursements.
- (m) Intercompany transactions between and amongst Debtors and Controlled Entities include, but are not limited to, the following (i) settlement of 3rd Quarter expense allocations (ii) settlement of amounts owed under the Court approved Master Forward Agreement between Aurora Bank FSB and certain Debtors, (iii) payments by certain Controlled Entities for partial repayment on intercompany balances and (iv) dividend distributions.
- (n) Reflects the distribution of principal and interest to syndicated loan participants, net of the associated receipts from borrowers on agency deals. Agency disbursements were higher than agency receipts because \$3 million was collected on an agency loan on the last day of January but funds were not subsequently disbursed to participants until February.
- (o) Reflects cash outflows to the Trustee for proceeds received on underlying collateral for Spruce and Verano securitizations.
- (p) Reflects the cash balance for Woodlands Commercial Corporation which LBHI assumed management of at the end of February 2012. The balance is included in Restricted Cash in this report.
- (q) Reflects fluctuation in value of foreign currency bank accounts.
- (r) Restricted Cash at LBHI increased by approximately \$230 million primarily related to the (i) \$110 million collected on financing notes owned by LCPI, (ii) \$68 million related to Kingfisher Notes owned by LCPI and (iii) \$16 million related to LCPI's ~30% Preferred Interest ownership in SASCO, and other cash collections that are required to be restricted by various agreements.

**LEHMAN BROTHERS HOLDINGS INC. ("LBHI") AND OTHER DEBTORS AND OTHER
CONTROLLED ENTITIES**

**BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
DATED FROM SEPTEMBER 15, 2008 TO FEBRUARY 29, 2012**

The information and data included in this Monthly Operating Report ("MOR") are derived from sources available to Lehman Brothers Holdings Inc. ("LBHI") and its Controlled Entities (collectively, the "Company"). The term "Controlled Entities" refers to those entities that are directly or indirectly controlled by LBHI, including LB I Group Inc., and excludes, among others, those entities that are under separate administrations in the United States or abroad, including Lehman Brothers Inc., which is the subject of proceedings under the Securities Investor Protection Act, and Aurora Bank FSB, which is indirectly controlled by LBHI. LBHI and certain of its Controlled Entities had filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the "Debtors". The Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. The Debtors have prepared this MOR, as required by the Office of the United States Trustee, based on the information available to the Debtors at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This MOR is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. The Debtors reserve all rights to revise this report.

1. This MOR is not prepared in accordance with U.S. generally accepted accounting principles (GAAP). This MOR should be read in conjunction with the financial statements and accompanying notes in the Company's reports that were filed with the United States Securities and Exchange Commission.
2. This MOR is not audited and will not be subject to audit or review by the Company's external auditors at any time in the future.
3. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Debtors have incurred additional professional fee expenses during the reporting period that will be reflected in future MORs as cash payments are made to providers.
4. The professional fee disbursements presented in this report have been paid by LBHI; however, a portion will be charged back to debtor and non-debtor subsidiaries based on the direct costs associated with each entity and an allocation methodology. The professional fees exclude services rendered on behalf of non-debtor entities which are invoiced separately.
5. Ordinary Course Professionals are being paid in compliance with the "Amended Order Authorizing the Debtors to Employ Professionals Utilized in the Ordinary Course of Business" (the "Amended OCP Order"). Should a professional or firm exceed specified thresholds in the Amended OCP Order, then they must file a retention application with the Court and receive payment in compliance with subsequent amended orders establishing procedures for interim monthly compensation and reimbursement of expenses of professionals.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities
Schedule of Professional Fee and Expense Disbursements
February 2012
Unaudited (\$ in thousands)

		February-2012	Sept-2008 Through Feb-2012
Debtors - Claims and Noticing Agent			
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	\$ 7,110	\$ 24,634
Debtors - Section 363 Professionals			
Alvarez & Marsal LLC	Interim Management	7,025	519,020
Kelly Matthew Wright	Art Consultant and Auctioneer	-	91
Natixis Capital Markets Inc.	Derivatives Consultant	-	14,590
Debtors - Section 327 Professionals			
Bingham McCutchen LLP	Special Counsel - Tax	391	21,367
Bortstein Legal LLC	Special Counsel - IT and Other Vendor Contracts	6	4,096
CB Richard Ellis	Real Estate Broker	-	436
Clyde Click, P.C.	Special Counsel - Real Estate	10	268
Curtis, Mallet-Prevost, Colt & Mosle LLP	Special Counsel - Conflicts	-	42,546
Dechert LLP	Special Counsel - Real Estate	366	5,890
Deloitte LLP	Tax Services	34	631
Discover Ready LLC	eDiscovery Services	-	14,578
Ernst & Young LLP	Audit and Tax Services	80	1,690
Foster, Graham, Milstein & Calisher, LLP	Special Counsel - Mortgage Litigation and Claims	90	512
Fried, Frank, Harris, Shriver & Jacobson LLP	Special Counsel - Real Estate	32	239
Gibson Dunn & Crutcher LLP	Special Counsel - Real Estate	42	3,117
Hardinger & Tenenholz LLP	Special Counsel - Discovery	90	169
Hudson Global Resources	Contract Attorneys	45	11,642
Huron Consulting	Tax Services	-	2,145
Jones Day	Special Counsel - Asia and Domestic Litigation	3,074	64,266
Kasowitz, Benson, Torres & Friedman	Special Counsel - Litigation	-	2,222
Kleyn Grasso Associates	Special Counsel - UK	16	1,013
Kramer Levin Naftalis and Frankel LLP	Special Counsel - Employee Matters	-	151
Krebsbach & Snyder, P.C.	Special Counsel - Litigation	102	338
Latham & Watkins LLP	Special Counsel - Real Estate	-	591
Lazard Freres & Co.	Investment Banking Advisor	-	31,613
Locke Lord Bissell & Liddell LLP	Special Counsel - Mortgage Litigation and Claims	-	1,373
McKenna Long & Aldridge LLP	Special Counsel - Commercial Real Estate Lending	-	5,610
MMOR Consulting	Tax Services	40	885
Momo-o, Matsuo & Namba	Special Counsel - Asia	-	578
Moulton Bellingham P. C.	Special Counsel - Mortgage Litigation and Claims	-	396
O'Neil Group	Tax Services	45	2,995
Pachulski Stang Ziehl & Jones	Special Counsel - Real Estate	341	3,707
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	144	3,343
Pricewaterhouse Coopers LLP	Tax Services	100	2,172
Reed Smith LLP	Special Counsel - Insurance	-	1,120
Reilly Pozner LLP	Special Counsel - Mortgage Litigation and Claims	98	8,182
Simpson Thacher & Bartlett LLP	Special Counsel - SEC Reporting, Asset Sales, and Congressional Testimony	-	2,712
SNR Denton LLP	Special Counsel - Real Estate	102	2,305
Sutherland LLP	Special Counsel - Tax	17	721
Weil Gotshal & Manges LLP	Lead Counsel	16,443 (a)	398,970
Windels Marx Lane & Mittendorf, LLP	Special Counsel - Real Estate	31	3,257
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives	-	1,555
Creditors - Section 327 Professionals			
FTI Consulting Inc.	Financial Advisor	858	82,182
Houlihan Lokey Howard & Zukin Capital Inc.	Investment Banking Advisor	325	15,734
Milbank Tweed Hadley & McCloy LLP	Lead Counsel	-	133,657
Quinn Emanuel Urquhart Oliver & Hedges LLP	Special Counsel - Conflicts	-	26,135
Richard Sheldon, Q.C.	Special Counsel - UK	-	326
Examiner - Section 327 Professionals			
Duff & Phelps LLC	Financial Advisor	-	43,210
Jenner & Block LLP	Examiner	-	58,444
Fee Examiner			
Godfrey & Kahn, S.C.	Fee Examiner (Current)	552	3,460
Feinberg Rozen LLP	Fee Examiner (Previous)	-	3,158
Brown Greer Plc	Fee and Expense Analyst	46	1,097
Total Non-Ordinary Course Professionals		37,657	1,575,137
Debtors - Ordinary Course Professionals		276	45,813
US Trustee Quarterly Fees		-	1,793
Total Professional Fees and UST Fees		\$ 37,933	\$ 1,622,743

(a) Includes the disbursement of the holdback from the period of October, 2010 through May, 2011 of \$9.9 million.

**LEHMAN BROTHERS HOLDINGS INC. ("LBHI") AND OTHER DEBTORS AND OTHER
CONTROLLED ENTITIES**

**BASIS OF PRESENTATION
HEDGING TRANSACTIONS UPDATE
AS OF MARCH 6, 2012**

The information and data included in this report are derived from sources available to Lehman Brothers Holdings Inc. ("LBHI") and its Controlled Entities (collectively, the "Company"). The term "Controlled Entities" refers to those entities that are directly or indirectly controlled by LBHI, including LB I Group Inc. and excludes, among others, those entities that are under separate administrations in the United States or abroad, including Lehman Brothers Inc., which is the subject of proceedings under the Securities Investor Protection Act and Aurora Bank FSB, which is indirectly controlled by LBHI. LBHI and certain of its Controlled Entities had filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the "Debtors". The Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

On March 11, 2009, the United States Bankruptcy Court for the Southern District of New York overseeing the Debtors' Chapter 11 cases (the "Court") entered an "Order Pursuant to Sections 105 and 364 of the Bankruptcy Code Authorizing the Debtors to Grant First Priority Liens in Cash Collateral Posted in Connection With the Hedging Transactions the Debtors Enter Into Through Certain Futures and Prime Brokerage Accounts" [Docket No. 3047] (the "Derivatives Hedging Order").

On July 16, 2009 the Court entered a separate "Order Pursuant to Sections 105 and 364 of the Bankruptcy Code Authorizing the Debtors to Grant First Priority Liens in Collateral Posted in Connection With the Hedging Transactions" [Docket No. 4423] (the "Residential Loan Order").

On January 14, 2010 the Court entered a separate "Order Granting LBHI's Motion for Authorization, Pursuant to Sections 105, 363 and 364 of the Bankruptcy Code, to Sell Certain Asset Backed-Securities and Related Relief" [Docket No. 6659], which authorized the Company to enter into hedging transactions to hedge against loss of value from fluctuations in foreign exchange rates (the "Asset Backed-Securities Hedging Order").

On November 18, 2010 the Court entered a separate "Order Pursuant to Sections 105 and 364 of the Bankruptcy Code Authorizing the Debtors to Grant First Priority Liens in Collateral Posted in Connection with Foreign Exchange Hedging Transactions" [Docket No. 12891] (the "Macro FX Hedging Order").

Terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Derivatives Hedging Order, the Residential Loan Order, the Asset Backed-Securities Hedging Order or the Macro FX Hedging Order, as the case may be.

The Debtors have prepared this Quarterly Hedging Transactions Update, as required by the Derivatives Hedging Order, the Residential Loan Order, the Asset Backed-Securities Hedging Order and the Macro FX Hedging Order, based on the information available to the Debtors at this time, but note that such information is partially based on market pricing which is subject to day-to-day fluctuations. The Debtors reserve all rights to revise this report.

Derivatives Hedging Order. Between the entry of the Derivatives Hedging Order and March 6, 2012 (the "Report Date"), the Debtors have executed 12 Hedging Transactions and the current liquidation value of collateral posted approximates \$256 million. The Open Derivative Positions correspond to 19 non-terminated derivative contracts with an estimated recovery value of approximately \$295 million as of the Report Date. The expected recovery amounts are determined using various models, data sources, and certain assumptions regarding contract provisions. The Company expects to adjust the amounts recorded for the Open Derivatives Positions in the future; such adjustments (including write-downs and write-offs) may be material. For further description regarding derivative recovery values, please refer to the September 30, 2011 Supplemental Monthly Operating Report filed on December 27, 2011.

As of the Report Date, the Hedging Transactions were allocated to the individual Debtors as set forth on page 14.

Residential Loan Order. Between the entry of the Residential Loan Order and the Report Date, there were no Residential Hedging Transactions.

Asset Backed-Securities Hedging Order. Between the entry of the Asset Backed-Securities Hedging Order and the Report Date, the Debtors executed 1 Hedging Transaction. The current liquidation value of the collateral posted approximates \$5 million. The estimated recovery value of the Asset Backed-Securities portfolio as of the Report Date approximates \$58 million. The expected recovery amounts for the underlying assets are subject to market fluctuations (obligor performance, interest rate environment, etc.) and are subject to change.

As of the Report Date, the Hedging Transactions were allocated to the individual Debtor as set forth on the following page.

Macro FX Hedging Order. Between the entry of the Macro FX Hedging Order and the Report Date, the Debtors have proposed and executed 5 Hedging Transactions. The current liquidation value of the collateral posted approximates \$60 million. The estimated recovery value of the underlying assets being hedged approximates \$817 million as of the Report Date. The expected recovery amounts for the underlying assets are subject to market fluctuations (obligor performance, interest rate environment, etc.) and are subject to change.

As of the Report Date, the Hedging Transactions were allocated to the individual Debtors as set forth on the following page.

Lehman Brothers Holdings Inc.
As of March 6, 2012
Hedging Report

Derivatives Hedging Order

Debtor	Current Liquidation Value of Collateral Posted for Hedging Transactions (a)	Estimated Recovery Value of Receivables Being Hedged
Lehman Brothers Special Financing Inc. ("LBSF")	\$ 250,183,539	\$ 267,129,218
Lehman Brothers Financial Products Inc. ("LBFP")	5,786,605	27,788,732
Total	<u>\$ 255,970,144</u>	<u>\$ 294,917,950</u>

Asset Backed-Securities Hedging Order

Debtor	Current Liquidation Value of Collateral Posted for Hedging Transactions (a)	Estimated Recovery Value of Receivables Being Hedged
Lehman Brothers Holdings Inc. ("LBHI")	\$ 5,396,408	\$ 57,596,263
Total	<u>\$ 5,396,408</u>	<u>\$ 57,596,263</u>

Macro FX Hedging Order

Debtor	Current Liquidation Value of Collateral Posted for Hedging Transactions (a)	Estimated Recovery Value of Receivables Being Hedged
Lehman Brothers Holdings Inc. ("LBHI")	\$ 5,269,557	\$ 56,242,369
Lehman Commercial Paper Inc. ("LCPI")	55,189,374	760,970,544
Total	<u>\$ 60,458,931</u>	<u>\$ 817,212,912</u>

(a) Value of collateral represents initial margin posted, net of any gains or losses on hedging transactions. Liquidation value excludes any subsequent variation margin posted or returned for LBHI and LCPI under the Asset Backed-Securities and Macro FX Hedging Orders.